

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of	)	
	)	
National Exchange Carrier	)	CC Docket No. 96-45
Association, Inc.	)	DA 03-3275
2004 Modification of Average	)	
Schedule Universal Service Formulas	)	
_____	)	

**COMMENTS OF THE  
UNITED STATES TELECOM ASSOCIATION**

The United States Telecom Association (USTA),<sup>1</sup> through the undersigned and pursuant to the Public Notice release by the Federal Communications Commission's (FCC's or Commission's) Wireline Competition Bureau (WCB) and pursuant to sections 1.415 and 1.419 of the Commission's rules,<sup>2</sup> hereby submits its comments on the National Exchange Carrier Association's (NECA) proposed modifications to the average schedule universal service formulas for 2004.<sup>3</sup> USTA supports the proposed formula change and requests the Telecommunications Access Policy Division approve the formulas as filed without delay to take effect on January 1, 2004.

**DISCUSSION**

NECA's proposed Local Switching Support (LSS) formula and Universal Service Fund (USF) expense adjustment formula both satisfy FCC rules. Part 54 of the Commission's

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<sup>1</sup> USTA is the Nation's oldest trade organization for the local exchange carrier industry. USTA's carrier members provide a full array of voice, data and video services over Wireline and wireless networks.

<sup>2</sup> 47 C.F.R. §§ 1.415 and 1.419.

<sup>3</sup> 2004 NECA Modification of Average Schedule Universal Service Formulas, National Exchange Carrier Association, Inc. (filed Oct. 1, 2003). (2004 NECA USF Modification).

rules require that an LSS factor based on 1996 cost studies be applied to current costs.<sup>4</sup>

NECA's proposed LSS formula allows average schedule companies to lower their interstate access costs thus putting them in line with their cost company counterparts. NECA's proposed USF expense adjustment formula also complies with FCC rules and reflects an objective and equitable forecast of expense adjustments for smaller average schedule companies. Part 69 rules require that the formula be designed to produce disbursements to an average schedule company that simulates the disbursements that would be received by a representative cost company.<sup>5</sup> NECA's proposed formulas are best suited to achieve the requirements of the Commission's rules.

Under NECA's 2004 proposed annual expense adjustment formula, payments would total \$41.2 million, an increase of \$10.8 million over current year payments.<sup>6</sup> This increase is due to a rise in actual costs per loop and the number of carriers receiving support as a result of "rebasings" the National Average Cost Per Line (NACPL) per the *Rural Task Force Order*.<sup>7</sup> Despite the increase, universal service support to average schedule companies continues to be a slight fraction of total support for all rural carriers.<sup>8</sup> Furthermore, \$6.3 million of the proposed increase reflects the difference in the 2003 USF expense adjustment formula

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<sup>4</sup> See 47 C.F.R. §54.301(a).

<sup>5</sup> See 47 C.F.R. §69.606(a).

<sup>6</sup> 2004 NECA USF Modification, p. III-2-3.

<sup>7</sup> *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Fourteenth Report and Order, Twenty-Second Order on Reconsideration and Further Notice of Proposed Rulemaking, *Multi-Association Group (MAG) Plan for Regulation of Non-Price Cap Incumbent Local Exchange Carriers and Interexchange Carriers*, CC Docket No. 00-256, Report and Order, 16 FCC Rcd 11244, 11262, 11268-11269, paras. 40, 55 (2001). (*Rural Task Force Order*)

<sup>8</sup> 2004 NECA USF Modification, p. I-15.

proposed by NECA and the cost per loop formula approved by the Commission for the same year.<sup>9</sup>

It is vital that the expense adjustment formula maintain the reduction limit method as proposed by NECA.<sup>10</sup> The reduction limit method provides stability in funding by reducing rapid shortfalls in carrier payments. As NECA indicates, elimination of the reduction limitation would have an adverse effect on the smallest average schedule companies, which in turn would negatively impact service for many rural telephone customers. The reduction limitation will be reassessed by NECA as the definitions and quality of potential new variables are resolved.<sup>11</sup> In the interim, the reduction limitation must be maintained to avoid the shock of a flash cut to the statistical model.

Finally, as directed by the Commission, NECA has developed a statistically valid cost per loop (CPL) formula that accurately compares individual CPL amounts to available demand variable and validates the increase in average schedule CPLs.<sup>12</sup>

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<sup>9</sup> 2004 NECA USF Modification, p. III-2-3. The increase would have been \$4.5 million, had the Commission approved NECA's USF expense adjustment formula for 2003.

<sup>10</sup> 2004 NECA USF Modification, pp. III-23-24

<sup>11</sup> *Id.*

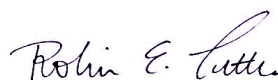
<sup>12</sup> *Id.*, pp. I-14, III-32. *See also, Federal-State Joint Board on Universal Service and National Exchange Carrier Association, Inc. Proposed 2003 Modification of Average Schedule Formulas*, CC Docket No. 96-45, Order, 17 FCC Rcd, 26204, 26207-26208, paras. 1, 8-9 (2002).

**CONCLUSION**

For the above stated reasons, USTA requests the Commission adopt NECA's proposed universal service formulas, without modification, to be effective January 1, 2004 – December 31, 2004.

Respectfully submitted,

UNITED STATES TELECOM ASSOCIATION



By: \_\_\_\_\_  
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CERTIFICATE OF SERVICE

I, Indra Sehdev Chalk, do certify that on November 3, 2003, the aforementioned  
Comments of the United State Telecom Association was electronically mailed to the  
following parties.

  
By: \_\_\_\_\_  
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